



County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

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Second District

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Third District

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Fifth District

July 7, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen *[Signature]*
Chief Administrative Officer

SACRAMENTO UPDATE

State Budget

On Tuesday July 5, Governor Schwarzenegger and the Legislature leadership announced agreement on a budget for FY 2005-06. The Assembly and the Senate met today and both houses voted to approve the Budget Bill, SB 77, and accompanying budget trailer bills. A complete list of the budget-related legislation and trailer bills is contained in Attachment I. The Governor is expected to sign the State Budget early next week.

While an agreement has been reached, some of the legislation will not be in print until tomorrow, and therefore, the estimates of impact are preliminary. The overall impact on the County was reduced from an estimated May Revision loss of \$87.9 million to an estimated loss of \$8.6 million. Attachment II has been updated to include actions that affect the County.

There is currently a lack of detailed information readily available about the aggregate Budget highlights. Nevertheless, the Floor Analysis of AB 146, which amends the SB 77 Budget Conference Report, provides a general overview of the Budget and highlights of the most recent changes made by the Big Five. Taken together, SB 77 and AB 146 produce a FY 2005-06 Reserve for Economic Uncertainties of \$1.21 billion which is an increase of about \$100 million over the June 15 version of SB 77.

As was reported extensively in the media, the primary obstacle to an earlier passage of the Budget was legislative concern over debt reduction and the FY 2006-07 or

"out-year" Budget deficit. AB 146 lowers the estimate of the out-year deficit by \$1.7 billion to a total estimated shortfall of approximately \$4.7 billion.

The largest single piece of the out-year deficit reduction is the payment of \$1.186 billion VLF Gap Loan. This represents an increase in the VLF Loan payback over the July 1 version of the Budget of about \$660 million.

While many State officials are pleased with this action because they believe it will benefit counties and cities, however, the County and most other large jurisdictions around the State securitized the VLF Gap Loan such that any financial benefit to the County or others has already been realized. In addition, at least two of the cuts made to fund the early payback represent a loss to the County. Specifically, the elimination of the County's \$13.5 million Property Tax Administration Grant and changing the five-year payback of State Mandate reimbursements owed to the County, to a fifteen-year payback.

Based on our preliminary review of available information, the following items are of interest to the County:

- **Property Tax Administration Grant Program.** Both houses voted to eliminate the State-County Property Tax Administration Program. This action would result in a \$13.5 million loss to the County.
- **SB 90 State Mandated Local Programs.** Trailer bill language was approved to lengthen the period over which the State must reimburse local governments for deferred mandate costs incurred prior to FY 2004-05 from five years to 15 years. The State currently owes the County over \$200 million.
- **AB 3632 Mandate.** The Budget maintains the proposed allocation of \$60 million in FY 2004-05 and \$60 million for FY 2005-06 for the reimbursement of AB 3632 claims. As a result of this action, the County would receive an additional \$10 million (\$5 million in the current year and \$5 million in the budget year).
- **In-Home Supportive Services (IHSS).** The January Budget proposed to reduce State participation in IHSS wages to the State minimum wage which would have resulted in an estimated \$74.4 million cost increase to the County if the wages were maintained at the current level. Trailer bill language was approved to maintain full State participation in IHSS provider wages and benefits at the current rate with a statutory rate increase from \$9.50 per hour plus \$.60 per hour for health benefits, to \$10.50 per hour plus \$.60 per hour for FY 2005-06. Increases in wages and health benefits are at the discretion of boards of supervisors.

- **Juvenile Justice Crime Prevention Act (JJCPA).** The Budget reduces the appropriation for the JJCPA Program to \$26.1 million to achieve a one-time savings for the State and align the allocation of funds to the fiscal year in which the funds are spent. There is no anticipated fiscal impact because this program has been funded a year in advance.
- **Vehicle License Fee (VLF) Gap Loan.** The May Revision proposed to allocate \$593 million for the early repayment of half of the VLF Gap Loan. As part of the Budget agreement, the State plans to fully repay all of the \$1.2 billion owed to local governments in FY 2005-06. The County has already securitized its loan.
- **Undesignated Trial Court Fees.** Trailer bill language was approved to reduce the counties' contribution from \$31 million to \$20 million in the budget year, and decrease it by \$5 million annually until there is no obligation. The impact to the County is estimated to be reduced from \$9.8 million to an estimated \$6.3 million in FY 2005-06.
- **Trauma Care.** County-supported language from SB 267 (Romero), which repeals the minimum distribution requirement of the Trauma Care Fund and replaces it with a Local Emergency Medical Services Agencies (LEMSA) competitive grant program, was incorporated into a trailer bill. The Budget Bill appropriates \$10 million for trauma care.
- **CalWORKs Employment and Administrative Funding.** Trailer bill language was approved to require the State to meet with the County Welfare Directors Association to estimate the amount of unspent employment services funds allocated in FY 2004-05. Up to \$50 million of the unspent funds will be allocated to counties for employment services provided in FY 2005-06.
- **CalWORKs Cost-of-Living Adjustment (COLA).** Both houses approved language to suspend the CalWORKs COLAs for FY 2005-06 and FY 2006-07.
- **CalWORKs Child Care.** The Budget establishes and provides \$7.9 million to fund county Centralized Eligibility Lists to track demand for subsidized child care services. The Budget also allows 11 and 12 year old children to receive care in a subsidized child care program upon parental certification that after-school care is not available. Current law states that after-school care is the preferred child care placement for 11 and 12 year old children eligible to subsidized child care.
- **CalWORKs Welfare-to-Work Activities.** The Budget makes technical changes to clarify the types of activities that can be combined to meet CalWORKs work requirements, similar to County-supported AB 379 (Evans).

- **Statewide Fingerprint Imaging System.** The Budget provides \$8 million for maintenance and operation of SFIS and retains fingerprint and photograph requirements for CalWORKs, General Relief and Food Stamp only applicants and recipients.
- **Healthy Families Program.** Counties are granted the authority to use local funds to directly buy into the Healthy Families Program. Legislation also establishes the Medi-Cal to Healthy Families Bridge Program, which provides low-income children with temporary health benefits.
- **Clinic and Hospital Outpatient Project Reimbursement.** Trailer bill language permits Los Angeles County to continue receiving cost-based reimbursement for County-owned or operated clinics and hospital outpatient projects after July 1, 2005.
- **Emergency Room Physicians Funding: Proposition 99.** Both houses approved language to provide \$25 million in Proposition 99 funding for emergency room physicians who provide services to the medically indigent.

We will provide additional information when it becomes available.

Pursuit of County Position on Legislation

AB 378 (Chu), as amended on April 21, 2005, would extend the statute of limitation from one year to three years for the commencement of any action seeking penalties for an alleged violation of California's hate crimes statute. Existing law provides that all persons have the right to be free from any violence committed against their person, or property, because of their race, color, religion, ancestry, national origin, political affiliation, sex, sexual orientation, age disability, position in a labor dispute, or because another person perceives them to have any of those characteristics.

Existing law provides that, in addition to actual and exemplary damages and attorney fees, a perpetrator of a hate crime is liable for a civil penalty of \$25,000 to be awarded to the victim of the offense. The law provides that an action based upon a liability created by the statute must be brought within three years. However, an action based upon a liability for penalties must be brought within one year, unless otherwise specified. AB 378 would extend to three years the time within which a civil action seeking penalties for an alleged violation must be filed, thereby aligning the administrative and civil statute of limitations for victims of hate crimes seeking civil remedies.

The Los Angeles County Human Relations Commission recommends that the County support AB 378 because it will allow victims of hate crimes a fair opportunity to seek remedies, and we concur. Support for AB 378 is consistent with existing County policy

to support legislation that addresses and combats discrimination based on age, disability, gender identity, language, immigration status, national origin, race, religion, sex, sexual orientation, or other protected characteristics. **Therefore, our Sacramento representatives will support AB 378.**

AB 378 passed the Senate Judiciary Committee on June 7, 2005 by a vote of 4 to 2, and is now on the Senate floor awaiting third reading. This bill is supported by the Attorney General's Office, Asian Pacific American Legal Center, Asian Americans for Civil Rights and Equality, Chinese for Affirmative Action/Center for Asian American Advocacy, American Civil Liberties Union, Anti-Defamation League, Community Unites Against Violence, and many other organizations. There is no known registered opposition.

Status of County-Interest Bills

County-supported if amended AB 1511 (Evans), which would extend the sunset date in the design-build statute from January 1, 2006 to January 1, 2011, add 19 counties to the list of counties eligible to use the design-build contracting method, and make other changes related to the use of the design-build contract method, was amended on June 30, 2005 to: 1) lower the minimum project-cost threshold applicable to design build from \$10 million to \$2.5 million; 2) allow three additional counties, including Los Angeles County, to enter into design-build contracts; 3) delete the requirement that contracts with costs ranging from \$10 million to \$20 million be awarded to the lowest responsible bidder, and instead, authorize counties to award projects using either the lowest responsible bidder or best value method; and 4) double-join AB 1511 with SB 287 (Cox), a similar measure.

Since our position on this bill is support if amended to include Los Angeles County, the Department of Public Works recommends that the County now support AB 1511 since the County has been included as an entity eligible to enter into design-build contracts. **Therefore, our Sacramento advocates will now support AB 1511.** This measure is set for hearing on July 13, 2005 in the Senate Local Government Committee.

County-supported SB 57 (Alarcon), which would augment the Emergency Medical Services Fund by allowing counties to collect an additional \$2 penalty assessment on every \$10 penalty for all criminal offenses and moving violations, passed the Assembly Public Safety Committee with amendments on July 5, 2005 by a vote of 5 to 2, and now proceeds to the Assembly floor. The amendments adopted in committee would place a three-year sunset on the bill's provisions.

County-supported if amended SB 287 (Cox), which would extend the sunset date in the design-build statute from January 1, 2006 to January 1, 2011, add 20 counties to the list of counties eligible to use the design-build contracting method, and make other changes related to the use of the design-build contract method, passed the Assembly Local Government Committee on July 5, 2005, as amended, by a vote of

Each Supervisor

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7 to 0. The amendments: 1) lower the minimum project cost threshold applicable to design build from \$10 million to \$2.5 million; 2) allow two additional counties, including Los Angeles County, to enter into design-build contracts; and 3) double-join SB 287 with AB 1511 (Evans), a similar measure.

Since our position on this bill is support if amended to include Los Angeles County, the Department of Public Works recommends that the County now support SB 287 since the County has been included as an entity eligible to enter into design-build contracts. **Therefore, our Sacramento advocates will now support SB 287.** This measure is currently in the Assembly Appropriations Committee awaiting a hearing date.

County-supported SB 399 (Escutia), which would allow counties to recover expenses for hospital and medical services provided to a Medi-Cal beneficiary who recovers damages from a judgment, arbitration award, or a settlement, passed the Assembly Health Committee on July 5, 2005 by a vote of 10 to 4, and now proceeds to the Assembly floor.

County-supported SJR 13 (Escutia), which would urge the President and Congress to amend the Federal Railroad Safety Act to increase authority of state and local governments to enact railroad safety regulations providing greater protection for their residents from railroad derailments, hazardous materials spills, and highway-rail crossing accidents, passed the Senate Energy, Utilities and Communications Committee on July 1, 2005 by a vote of 9 to 0 and is currently pending a vote on the Senate floor.

We will continue to keep you advised.

DEJ:GK

MAL:DW:DS:JF:EW:MR:MS:ib

c: Executive Officer, Board of Supervisors
 County Counsel
 Local 660
 All Department Heads
 Legislative Strategist
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants

BUDGET-RELATED LEGISLATION AND TRAILER BILLS

SB 77—Budget Bill
AB 131—Health Omnibus bill
AB 138—Mandates bill
AB 139—General Government bill
AB 145—Uniform Court Filing Fees bill
AB 146—Amendments to the Budget Bill

SB 62—Transportation bill
SB 63—Education bill
SB 64—Boards and Commissions bill
SB 68—Social Services Omnibus bill
SB 71—Resources Omnibus bill
SB 76—Hydrogen Highway/PIER bill
SB 78—3rd Supplemental Appropriations bill
SB 91—2nd Supplemental Appropriations bill

**ESTIMATED IMPACT TO LOS ANGELES COUNTY
FROM THE GOVERNOR'S PROPOSED FY 2005-06 BUDGET
(in millions)**

	<u>January</u>	<u>May Revision</u>	<u>Legislature Approved Budget</u>
Reduction in State Participation in IHSS Wages / Benefits	\$ 74.4	\$ 74.4	\$ 0
Suspension of State Mandates for FY 2005-06	33.3	18.3 ⁽¹⁾	8.6 ⁽²⁾
AB 3632 Program Prior Year Claim Repayment (FY 2004-05)	0	- (15.0) ⁽¹⁾	(20.0) ⁽³⁾
Elimination of Juvenile Justice Crime Prevention Act (JJCPA)	27.9	0	0 ⁽⁴⁾
Probation:	\$15.0		
Mental Health	5.5		
DCFS	.6		
District Attorney	.3		
DHS/Alcohol and Drug	1.1		
Parks / Recreation	.5		
Sheriff	.4		
Community / Senior Services	.2		
CDC / Housing	.6		
Non-County Recipients	3.6		
Public Works: Suspension of Proposition 42 Transportation Funds	24.7	0	0
Undesignated Court Fees: Continuation of Transfer	9.8	9.8	6.3
Assessor: Reduction in Property Tax Grant Program	1.4	0	13.5
DPSS: Leader Reduction	.2	.2	0
Public Library: Reduction in Library Foundation	.2	.2	.2
Estimated Total ⁽⁵⁾	\$ 171.9	\$ 87.9	\$ 8.6

⁽¹⁾ The May Revision column was revised to allocate the Governor's proposal to appropriate \$30 million for the reimbursement of AB 3632 claims (\$15 million for FY 2004-05 and \$15 million for FY 2005-06).

⁽²⁾ Includes additional AB 3632 funding allocated for FY 2005-06.

⁽³⁾ The Budget includes the allocation of \$60 million for the reimbursement of AB 3632 claims for FY 2004-05. The estimate assumes the County will receive about one-third of total claims.

⁽⁴⁾ The Budget reduces the appropriation for the JJCPA Program to \$26.1 million to achieve a one-time savings for the State, and align the allocation of funds to the fiscal year in which funds are spent. There is no anticipated fiscal impact to the County because the program has been funded a year in advance.

⁽⁵⁾ Estimated total does not include the full repayment of the Vehicle License Fee (VLF) Gap loan which is owed to local governments in FY 2006-07. The early repayment of the VLF Gap Loan will not have an impact because the County securitized the loan in FY 2004-05.

This table represents the loss of State funds based upon the Governor's January Budget and May Revision, and the estimated impact of the Budget Conference Committee actions. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.